

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7227

BILL NUMBER: SB 499

NOTE PREPARED: Jan 21, 2004

BILL AMENDED:

SUBJECT: Health Insurance for Retired State Employees.

FIRST AUTHOR: Sen. Broden

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill reduces by 50% the percentage of premiums that certain retired state employees and elected officials must pay in order to participate in the retired state employee health insurance program.

Effective Date: July 1, 2004.

Explanation of State Expenditures: This bill applies only to the state and employees who are not covered by a plan established for the State Police Department, conservation officers of the Department of Natural Resources, and the State Excise Police. The bill provides that the state must provide a group health insurance plan to each retired employee whose retirement date is after June 29, 1986, for a retired employee who was a member of the field examiners' retirement fund; after May 31, 1986, for a retired employee who was a member of the Indiana state teachers' retirement fund; or after June 30, 1986, for a retired employee not covered by the above two categories. Eligible employees must have participated in the Early Retiree Insurance Program, be a retired judge, a participant in the prosecuting attorneys retirement fund, or former eligible members of the General Assembly and spouses.

The group health insurance program must be equal to that offered active employees. The retired employee may participate in the group health insurance program if the retired employee pays 50% of the employer's and 50% of the employee's premium for the group health insurance for an active employee. Under current law, the retired employee pays 100%. The proposal provides that the employer may elect to pay more than 50% of the retired employee's premium. This bill does not apply to teachers who are on leave.

Participation rates for 2004 are not currently available. The table below lists 2003 participation rates with 2004 premium rates. For 2004, the plans have two benefit options. Costs below assume that the participant elects to participate in the more expensive option.

2003 Retiree Participation with 2004 Premium Rates				
Plan	Participants (Single/Family)	Monthly Premiums (Single/Family)	Total Annual Premiums	50% of Costs
Anthem Traditional I	329*	\$344.20	\$1,358,901	\$679,450
	48	\$965.32	\$556,024	\$278,012
Arnett I	8	\$378.93	\$36,377	\$18,188
	4	\$1,023.08	\$49,107	\$24,553
Advantage I	7*	\$454.53	\$38,180	\$19,090
	1	\$1,146.65	\$13,759	\$6,879
M-Plan I	115	\$389.50	\$537,510	\$268,755
	16	\$982.57	\$188,653	\$94,326
Total	528			\$1,389,253
* 35 retirees participated in Anthem HMO single plan while 5 participated in family coverage. Because Anthem HMO will not be offered in 2004, these participants were placed in Anthem Traditional I. Two retirees participated in Humana's single plan. Because Humana will not be offered in 2004, these individuals were placed with Advantage I.				

Additional Participants. In addition to the above costs, additional employees will participate as they retire, and some employees may retire because of the increase in the portion of health care insurance expense that the state will pay. To offset, in part, this cost, the state might save some expenses associated with a decrease in expenses for salaries. The number of new state employees who became eligible for early retirement last year was 18, according to the Public Employees Retirement Fund. In order to estimate the impact of an additional 18 participants, a blended average of the actual statistics for 2003 were applied. Given the data above with 87% of participants having single coverage and 13% having family coverage, additional costs to the state would equal under \$48,000.

Cost Increase Factor: If more employees elect to retire early and choose to continue in the state employee health plans because of the reduced premium cost, the retiree cost of health benefits is 2.45 times more expensive than the regular employee pool. The cost is higher due to retirees having an adverse experience factor equal to \$2.45 in claims expenses for every \$1 in claims expenses experienced by the state employee group as a whole. However, the overall early retiree pool appears to be relatively small, 1.4% of the total state employee enrollment of 37,316.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Personnel.

Local Agencies Affected:

Information Sources: Debra Webb, State Personnel Department, 232-8828;Public Employees Retirement Fund.

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